

## **MINUTES**

### **MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON EDUCATION AND CULTURAL RESOURCES**

**Call to Order:** By **CHAIRMAN BILL GLASER**, on March 19, 2001 at 3:30 P.M., in Room 405 Capitol.

#### **ROLL CALL**

**Members Present:**

Sen. Bill Glaser, Chairman (R)  
Sen. Jack Wells, Vice Chairman (R)  
Sen. John C. Bohlinger (R)  
Sen. Edward Butcher (R)  
Sen. John Cobb (R)  
Sen. Jon Ellingson (D)  
Sen. Jim Elliott (D)  
Sen. Alvin Ellis Jr. (R)  
Sen. Sam Kitzenberg (R)  
Sen. Don Ryan (D)  
Sen. Debbie Shea (D)  
Sen. Mike Sprague (R)  
Sen. Mignon Waterman (D)

**Members Excused:** Sen. Dale Berry (R)

**Members Absent:** None.

**Staff Present:** Linda Ashworth, Committee Secretary  
Eddy McClure, Legislative Branch

**Please Note:** These are summary minutes. Testimony and discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing(s) & Date(s) Posted:  
Executive Action: SB 500; SB 70

#### **EXECUTIVE ACTION ON SB 500**

**Discussion:**

**CHAIRMAN BILL GLASER** reported the Senate leadership had requested that 25 million dollars be inserted into the schedules for education for the next biennium. The 25 million dollars would include the 13 million dollars suggested by the Governor, 5 million added from the floor of the House and most of the money from SB 493 and SB 495.

**CHAIRMAN GLASER** informed the committee that SB 493 and SB 495 referred to the proposal by Secretary of State, Bob Brown and Superintendent of Public Instruction, Linda McCullough. He explained the differences between the bills and how they would provide additional funding for education.

**SEN. MIGNON WATERMAN** questioned when the referendum would be offered to the voters and when the money would be available for school funding. **CHAIRMAN GLASER** answered that 13 million dollars would be available in the next two years and the issue would be on the ballot in November 2002. **SEN. ALVIN ELLIS** stated that the issue would deal with long range funding.

**SEN. JIM ELLIOT** queried if the method of investing in SB 495 would be the mechanism that would raise money. **SEN. ELLIS** explained that currently money from the trust fund must be reinvested into that fund. SB 495 would allow future royalties to be sold for cash. SB 493 would be the constitutional referendum that would allow that money to be invested and used to fund education.

**SEN. JOHN COBB** asked the chairman to explain where the 25 million dollars would originate. **CHAIRMAN GLASER** reiterated that the leadership felt confident, in the existing process without new tax revenues, that 25 million dollars would be available in the schedules for education.

**SEN. JOHN BOHLINGER** wondered what the percent of increase would be with the 25 million dollars. **CHAIRMAN GLASER** reported it would be 1.82%. **SEN. ALVIN ELLIS** distributed information that explained how the 25 million dollars would be dispersed, **EXHIBIT (eds62a01)**.

**SEN. WATERMAN** asked if the amount would be 25 million dollars per year. **CHAIRMAN GLASER** responded that the 25 million dollars would be for the biennium.

**SEN. COBB** adduced there would not be money for the flex plan. **CHAIRMAN GLASER** agreed. He maintained that **SEN. DON RYAN** would propose an amendment that would deal with the flex plan. If the ANB would decrease as revenue would become available, the surplus money would be inserted into the flex plan.

**SEN. WATERMAN** requested information regarding the costs of the schedules in SB 70. **CHAIRMAN GLASER** purported that the schedules in SB 70 would cost 40 million dollars.

**Motion:** **SEN. COBB** moved that **SB 500 DO PASS**.

**Substitute Motion:** **SEN. WATERMAN** made a substitute motion that **SB 70 DO PASS**.

**Discussion:**

**SEN. ELLIS** suggested the committee pass both SB 70 and SB 500. He also suggested that the Ryan amendment should contain a sunset clause. **SEN. WATERMAN** did not recall having the limitation that bills could only be passed if they contained the amount of money suggested by leadership.

**SEN. COBB** wondered if SB 70 could be amended to contain the flex plan. **CHAIRMAN GLASER** did not think the title of SB 70 would be broad enough for the flex plan.

**Vote:** **SEN. WATERMAN'S** motion that **SB 70 DO PASS** failed 4-9 with Butcher, Cobb, Shea, and Waterman voting aye.

*{Tape : 1; Side : A; Approx. Time Counter : 0 - 12}*

**Motion:** **SEN. ELLIS** moved that **SB 500 BE AMENDED, EXHIBIT (1), "TO PLACE 25 MILLION DOLLARS INTO THE SCHEDULE"**.

**Discussion:**

**Eddy McClure** asked for clarification on the decrements. **CHAIRMAN GLASER** suggested that the decrement language would be omitted under **SEN. ELLIS'** amendment.

**Substitute Motion:** **SEN. COBB** made a substitute motion **"TO SEGREGATE THE DECREMENT FROM THE AMENDMENT WHICH, WOULD ALLOW THE DECREMENT TO REMAIN THE SAME AS EXISTING LAW"**.

**SEN. WATERMAN** maintained the committee should vote for the decrement issue believing it would free up money. **SEN. ELLIS** clarified that reducing the decrement would increase the cost of the bill.

**SEN. WATERMAN** suggested that elimination of the decrement would not increase the cost, but if the decrement would remain in the bill the costs would increase. **SEN. ELLIS** asserted that his amendment would freeze the decrement.

**SEN. WATERMAN** wondered if the decrement would be reduced if it were to remain in the bill. **SEN. ELLIS** argued that there would not be a reduction in the decrement. If the decrement were reduced, 1.93 million dollars would be obligated for funding.

**SEN. ELLIS** asked if the motion was an effort to defeat the decrement issue in the amendment so it could be replaced with a reduced decrement. **SEN. COBB** indicated he did not want the decrement, because he wanted to vote for a higher rate.

**SEN. JIM ELLIOTT** asked for clarification on whether the change in the decrement would also include a change in the cut off point. **Eddye McClure** clarified that the cut off point would remain the same.

**SEN. ELLIOTT** guessed that a reduction in the decrement would help larger schools. **Ms. McClure** concurred.

**SEN. JOHN BOHLINGER** queried whether there would be support to eliminate the decrement. **SEN. COBB** clarified that his motion to amend would allow the decrement to remain the same, as it exists under current law.

**CHAIRMAN GLASER** informed the committee that a yes vote would return to current law and a no vote would allow the bill to remain as written.

Vote: **SEN. COBB'S** motion that SB 500 "BE AMENDED TO SEGREGATE THE DECREMENT FROM THE AMENDMENT, WHICH WOULD ALLOW THE DECREMENT TO REMAIN THE SAME AS EXISTING LAW", passed 9-3 with Ryan, Shea, and Waterman voting no.

*{Tape : 1; Side : A; Approx. Time Counter : 12 - 32}*

Vote: **SEN. ELLIS'** motion that SB 500 BE AMENDED TO PLACE 25 MILLION DOLLARS INTO THE SCHEDULE carried 8-6 with Cobb, Ellingson, Elliott, Ryan, Shea, and Waterman voting no.

Motion: **SEN. COBB** moved that SB 500 "BE AMENDED TO ADD AN ADDITIONAL 10 MILLION DOLLARS TO THE SCHEDULE, INCREASING THE SCHEDULES TO 35 MILLION DOLLARS".

Discussion:

**SEN. ELLIS** stated his wish to add the funding to SB 500 while sharing his concerns with sources of funding. He avowed opposition to the amendment.

**SEN. BOHLINGER** cited support for the amendment, justifying that several revenue measures would address the issue of additional funding. He argued that raising the accomodation tax from 4% to 9% would contribute 11 million dollars to K-12 education.

**SEN. JACK WELLS** debated that additional money should go to the flex fund rather than the total amount going to the schedules.

**SEN. MIKE SPRAGUE** empathized with **SEN. BOHLINGER** but maintained his belief that funding mechanisms should not ride on a "maybe" bill. He felt it would not be prudent to promise funding and then renege on the promise as the bill would move through the process.

**SEN. ELLIOTT** argued that the committee should set policy instead of finding sources of funding. He avowed support for the amendment, justifying that it would be easier to amend the bill down instead of up.

Vote: **SEN. COBB'S** motion that **SB 500 BE AMENDED "TO ADD AN ADDITIONAL 10 MILLION DOLLARS TO THE SCHEDULE, INCREASING THE SCHEDULE TO 35 MILLION DOLLARS"**, carried 8-6 with Berry, Butcher, Ellis, Glaser, Sprague, and Wells voting no.

*{Tape : 1; Side : B; Approx. Time Counter : 0 - 8}*

Motion: **SEN. COBB** moved that **SB 500 BE AMENDED "TO DELETE THE FLEX PLAN, AS IT PERTAINS TO THE UNIVERSITY PORTION OF THE BILL"**.

**CHAIRMAN GLASER** mentioned that the legislature tends to put additional money into education toward the end of the session. He reasoned the bill would be a vehicle for the university system to use the additional funding.

**SEN. BOHLINGER** expressed his wish that **Commissioner Crofts** speak to the proposal. **Commissioner Crofts** contended he was pleased with the current system of funding the university system and would not have an objection to the amendment.

Vote: **SEN. COBB'S** motion that **SB 500 BE AMENDED "TO DELETE THE FLEX PLAN, AS IT PERTAINS TO THE UNIVERSITY PORTION OF THE BILL"** failed 6-8 with Cobb, Ellingson, Elliott, Ryan, Shea, and Waterman voting aye.

*{Tape : 1; Side : B; Approx. Time Counter : 8 - 13}*

Motion/Vote: **SEN. COBB** moved that **SB 500 BE AMENDED (SB050020.aem) , EXHIBIT (eds62a02)**. Motion carried unanimously.

**Motion:** SEN. WATERMAN moved that SB 500 BE AMENDED (SB050015.aem) , **EXHIBIT** (eds62a03) .

**Discussion:**

SEN. WATERMAN explained that the amendment would allow a contingent voidness which would invalidate the K-12 flex fund unless there was a minimum of 20 million dollars appropriated, dedicated or transferred to the account. The second part of the amendment would require 7 million dollars to be transferred to the university flex fund.

SEN. SPRAGUE asked SEN. WATERMAN if these numbers would be the only numbers she would support. SEN. WATERMAN agreed.

SEN. JON ELLINGSON asked SEN. WATERMAN to explain her reasons behind the 20 million dollar flex plan. SEN. WATERMAN surmised that the numbers could be adjusted. Her proposal would add another 27 million dollars over the biennium to make the proposal work.

SEN. SPRAGUE asked the sponsor of the amendment to explain the source of the additional funding. SEN. WATERMAN pronounced her support of an increase in the tobacco tax or the telecommunications tax, which would result in an additional 38 million dollars.

SEN. BOHLINGER asked for clarification on the amount of money already in the bill. SEN. WATERMAN related that the bill, as amended, contained a total of 35 million dollars.

CHAIRMAN GLASER warned the amendment would kill the flex plan because the amount of money in the amendment would go into the schedules instead of the flex plan. SEN. WATERMAN stated her belief in the flexibility of local control and the ability of school boards to disperse money wisely.

**Vote:** SEN. WATERMAN'S motion that SB 500 BE AMENDED (SB050015.aem) carried 8-6 with Berry, Butcher, Ellis, Glaser, Sprague, and Wells voting no.

*{Tape : 1; Side : B; Approx. Time Counter : 13 - 27}*

**Motion:** SEN. COBB moved that SB 500 BE AMENDED "TO ADD AN ADDITIONAL 5 MILLION DOLLARS TO THE SCHEDULE WHICH WOULD INCREASE THE SCHEDULE TO 40 MILLION DOLLARS".

**Discussion:**

**SEN. ELLIS** wondered why **SEN. COBB** had not requested 50 million dollars. **SEN. COBB** explained he would not support an increase of 50 million dollars.

**SEN. WATERMAN** surmised it would take 19 million dollars to fund the contractual agreements of steps and lanes. **SEN. COBB** guessed the funding would have to be adjusted to allow entitlements to be equalized.

**SEN. ELLIS** asserted that 35 million dollars would allow schools to stay 5% ahead of inflation since 1994. He reasoned that 35 million dollars would result in a 3% raise each year of the biennium. He purported many workers in the state would not see a 3% increase in their wages and an additional 5 million dollars would be an affront to those workers.

**SEN. WELLS** echoed **SEN. ELLIS'** concerns over an additional 5 million dollars. He debated whether the people of Montana could support an increase in education funding.

*{Tape : 1; Side : B; Approx. Time Counter : 27 - 32}*

**SEN. ELLIOTT** avowed support for the amendment, maintaining that the best investment for the state of Montana would be the education of its children. He maintained his belief that his constituents would be willing to pay for the additional funding.

**SEN. DEBBIE SHEA** entreated the committee to work collectively to develop creative ideas to fund education.

**SEN. WATERMAN** pointed out that she was concerned about property tax relief, contrary to the statement made by **SEN. WELLS**.

**SEN. BOHLINGER** endorsed the increased funding for education, stating that the increase would be an attempt to pay educators fairly.

**SEN. JON ELLINGSON** reminded the committee that the general budget trend from 1991 to 2001 showed an increase of state aid to schools of 11.8%. The bulk of the increase was a result of local property taxes increasing 144.7%. **SEN. ELLINGSON** maintained the state should increase its share of funding for public education.

**SEN. ELLIS** responded that the legislature equalized school funding, with the intention of paying for it through an increase in income taxes or a sales tax. The voters of the state repealed the increase in income taxes and defeated the sales tax. **SEN.**

**ELLIS** recounted that the legislature was left with no choice but to fund education by increasing property taxes.

**SEN. COBB** hypothesized that this could be the last session education would receive an increase. He reasoned schools should be given the money and then be requested to downsize and consolidate.

**SEN. SPRAGUE** asked **SEN. SHEA** how she would suggest paying for the funding in the bill. **SEN. COBB** responded that he had originally wanted to amend the bill for 40 million dollars but did not think it would pass. After the amendment for 35 million dollars passed, he felt he would try for the extra 5 million. **SEN. COBB** professed his belief that the committee should inform leadership what the committee felt should be spent on education.

**SEN. SPRAGUE** reiterated his belief that the economy would not remain constant, which would mean the money would not be available to fund the bill.

**Vote:** **SEN. COBB'S** motion that **SB 500 BE AMENDED "TO ADD AN ADDITIONAL 5 MILLION DOLLARS TO THE SCHEDULE WHICH WOULD INCREASE THE SCHEDULE TO 40 MILLION DOLLARS"** passed 8-6 with Berry, Butcher, Ellis, Glaser, Sprague and Wells voting no.

*{Tape : 2; Side : A; Approx. Time Counter : 0 - 12}*

**Motion/Vote:** **SEN. COBB** moved that **SB 500 BE AMENDED TO PUT 3.97 MILLION DOLLARS, OF THE 40 MILLION DOLLARS, IN FISCAL YEAR 2002 AND 3.1 MILLION DOLLARS, OF THE 40 MILLION DOLLARS, IN FISCAL YEAR 2003, WITH A 2 YEAR ANB AVERAGING"**. Motion carried 8-6 with Berry, Butcher, Ellis, Glaser, Sprague, and Wells voting no.

*{Tape : 2; Side : A; Approx. Time Counter : 12 - 14}*

**Motion:** **SEN. COBB** moved that **SB 500 BE AMENDED "TO SPEND AN ADDITIONAL 2.5 MILLION FOR BASIC ENTITLEMENTS"**.

**Discussion:**

**SEN. COBB** explained that the 2.5 million dollars would come from SB 220 which was sponsored by **SEN. BOHLINGER**.

**SEN. ELLIS** argued that **SEN. BOHLINGER'S** bill was never funded. He contended the telecommunication's money was part of the original 25 million dollars set aside originally for the bill.



**SEN. COBB** contended that the 2.5 million total impact for SB 220 had been part of the bill. **SEN. ELLIS** inquired if an ending fund balance of 30 million would be adequate with the current economy. **SEN. COBB** believed the ending fund balance could be higher.

**SEN. BOHLINGER** explained his attempt to raise basic entitlement with an earlier bill. He professed the bill was too expensive for the process. **SEN. BOHLINGER** opposed the proposed amendment, stating that the current 40 million dollars would be a stretch.

Vote: **SEN. COBB'S** motion that **SB BE AMENDED "TO SPEND AN ADDITIONAL 2.5 MILLION DOLLARS FOR BASIC ENTITLEMENTS"** failed 6-8 with Cobb, Ellingson, Elliott, Shea, Waterman and Wells voting aye.

*{Tape : 2; Side : A; Approx. Time Counter : 14 - 18}*

Motion: **SEN. ELLIOTT** moved that **SB 500 BE AMENDED "TO CHANGE THE 2-YEAR AVERAGING OF ANB TO A 3-YEAR AVERAGING OF ANB"**.

Discussion:

**SEN. COBB** described a 2 year average as equaling 3.97 million in 2002 and 3.108 million in 2003. **SEN. ELLIS** surmised the proposed amendment would increase the costs. **SEN. COBB** reported the amendment would increase the average to 7.1 million in 2002 and 6.6 million in 2003.

**SEN. ELLIS** suggested the entitlement increase would be cut in half the first year, which would also follow into the second year.

**SEN. ELLIOTT** WITHDREW THE MOTION TO AMEND SB 500 "TO CHANGE THE 2-YEAR AVERAGING OF ANB TO A 3-YEAR AVERAGING OF ANB".

*{Tape : 2; Side : A; Approx. Time Counter : 18 - 20}*

Motion: **SEN. RYAN** moved that **SB 500 BE AMENDED (SB050022.aem), EXHIBIT (eds62a04)**.

**SEN. DON RYAN** explained the amendment would allow all money, saved by the state through the unexpected decrease in statewide enrollment for the fiscal year 2003, to be deposited in the school flexibility account. The money would be distributed back to the schools.

**SEN. ELLIS** recommended a sunset be applied to the bill each session. He felt it would provide an incentive for schools to

underestimate the decrease in enrollment that would result in a windfall for schools. **Eddy McClure** explained that the language in the amendment would specifically deal with fiscal years 2002 and 2003.

**CHAIRMAN GLASER** reminded the committee that **SEN. WATERMAN'S** amendment would require 20 million dollars in the flex account for K-12 and 7 million dollars in the flex account for the university system. He contended that any changes would kill the flex account. He speculated that **SEN. RYAN'S** amendment would be an appropriate use of the flex account. **CHAIRMAN GLASER** avowed support for that amendment.

**Vote:** **SEN. RYAN'S** motion that **SB 500 BE AMENDED (SB050022.aem)** carried unanimously.

*{Tape : 2; Side : A; Approx. Time Counter : 20 - 30}*

**Motion:** **SEN. COBB** moved that **SB 500 BE AMENDED (SB050024.aem)**, **EXHIBIT (eds62a05)**.

**Discussion:**

**Eddy McClure** reported that the amendment would address technical issues offered by the Office of Public Instruction. **Ms. McClure** advised the committee that #1 would be the only issue to be voted on because the others were invalidated by previous amendments.

**Substitute Motion/Vote:** **SEN. WATERMAN** made a substitute motion **TO SEGREGATE #1 OF THE AMENDMENT (SB050024.aem)**. Substitute motion carried unanimously.

*{Tape : 2; Side : A; Approx. Time Counter : 30 - 32}*

**Motion:** **SEN. RYAN** moved that **SB 500 BE AMENDED (SAVAGE PLAN)**, **EXHIBIT (eds62a06)**.

**SEN. RYAN** noted that steps 1 and 2 of the amendment would reduce the direct state aid from 44.7% to 40%. He reported that 34 million dollars would be taken during the biennium. Step 2 would raise the schedules by 2.5% in the biennium. The amendment would take a zero increase in state dollars and increase budget authority by 2.5%. He reiterated it would be a local property tax increase.

**CHAIRMAN GLASER** avowed opposition to the amendment, since it would put a permissive tax levy on the taxpayers. **SEN. COBB** felt

it would be an option in case the legislature would fail to fund education.

**SEN. ELLIS** wondered if the amendment would affect equalization.

**CHAIRMAN GLASER** reported that when direct state aid was decreased then the permissive levy would rest on the taxpayer.

**SEN. ELLIS** explained the current law required a vote on any increase in mill effort. He maintained the amendment would require large increases in local tax levies.

**SEN. SHEA** asked **SEN. RYAN** for his opinion. **SEN. RYAN** deduced that with the passage of the amendment, a school district's budget authority would drop from 90% to 87.7%. He maintained the school would stay at 87.7% unless they would choose to run a permissive levy. **SEN. ELLIS** reiterated they would have to run a permissive levy to remain at 90%.

**Vote:** **SEN. RYAN'S** motion that **SB 500 BE AMENDED (SAVAGE PLAN)** failed 4-10 with Ellingson, Elliot, Kitzenberg and Ryan voting aye.

*{Tape : 2; Side : B; Approx. Time Counter : 0 - 8}*

**Motion/Vote:** **SEN. COBB** moved that **SB 500 DO PASS AS AMENDED**. Motion carried 8-6 with Berry, Butcher, Ellis, Glaser, Sprague, and Wells voting no.

**ADJOURNMENT**

Adjournment: 5:30 P.M.

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SEN. BILL GLASER, Chairman

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LINDA ASHWORTH, Secretary

BG/LA

**EXHIBIT (eds62aad)**